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By: **St. Mary's County Delegation**  
Introduced and read first time: February 9, 2001  
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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: March 6, 2001

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **St. Mary's County - Hospital Bonds**

3 FOR the purpose of authorizing and empowering the County Commissioners of St.  
4 Mary's County, from time to time, to borrow not more than \$20,000,000 in order  
5 to finance the construction, improvement, or development of St. Mary's Hospital  
6 in St. Mary's County, as herein defined, and to effect such borrowing by the  
7 issuance and sale at public or private sale of its general obligation bonds in like  
8 par amount; empowering the County to fix and determine, by resolution, the  
9 form, tenor, interest rate or rates or method of determining the same, terms,  
10 conditions, maturities, and all other details incident to the issuance and sale of  
11 the bonds; empowering the County to issue refunding bonds for the purchase or  
12 redemption of bonds in advance of maturity; empowering and directing the  
13 County to enter into an agreement with the Hospital for payment of the debt  
14 service requirements of the bonds from revenues of the Hospital; empowering  
15 and directing the County to levy, impose, and collect, annually, ad valorem taxes  
16 in rate and amount sufficient to provide funds for the payment of the maturing  
17 principal of and interest on the bonds; exempting the bonds and refunding bonds  
18 and the interest thereon and any income derived therefrom from all State,  
19 county, municipal, and other taxation in the State of Maryland; providing that  
20 nothing in this Act shall prevent the County from authorizing the issuance and  
21 sale of bonds the interest on which is not excludable from gross income for  
22 federal income tax purposes; and relating generally to the issuance and sale of  
23 such bonds.

24 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
25 MARYLAND, That, as used herein, the term "County" means the body politic and  
26 corporate of the State of Maryland known as the County Commissioners of St. Mary's  
27 County, and the term "construction, improvement, or development of St. Mary's

1 Hospital" means the acquisition, alteration, construction, reconstruction,  
2 enlargement, equipping, expansion, extension, improvement, rehabilitation,  
3 renovation, upgrading, and repair of St. Mary's Hospital and related facilities,  
4 including architectural, engineering, and legal services, plans, specifications, studies,  
5 surveys, estimates of costs and revenues, and administrative costs and expenses.

6 SECTION 2. AND BE IT FURTHER ENACTED, That the County is hereby  
7 authorized to finance any part or all of the costs of St. Mary's Hospital described in  
8 Section 1 of this Act, and to borrow money and incur indebtedness for that purpose, at  
9 one time or from time to time, in an amount not exceeding, in the aggregate,  
10 ~~\$6,000,000~~ \$20,000,000 and to evidence such borrowing by the issuance and sale upon  
11 its full faith and credit of general obligation bonds in like par amount, which may be  
12 issued at one time or from time to time, in one or more groups or series, as the County  
13 may determine.

14 SECTION 3. AND BE IT FURTHER ENACTED, That the bonds shall be  
15 issued in accordance with a resolution of the County, which shall describe generally  
16 the construction, improvement, or development of St. Mary's Hospital for which the  
17 proceeds of the bond sale are intended and the amount needed for those purposes. The  
18 County shall have and is hereby granted full and complete authority and discretion in  
19 the resolution to fix and determine with respect to the bonds of any issue: the  
20 designation, date of issue, denomination or denominations, form or forms, and tenor  
21 of the bonds which, without limitation, may be issued in registered form within the  
22 meaning of Section 30 of Article 31 of the Annotated Code of Maryland, as amended;  
23 the rate or rates of interest payable thereon, or the method of determining the same,  
24 which may include a variable rate; the date or dates and amount or amounts of  
25 maturity, which need not be in equal par amounts or in consecutive annual  
26 installments, provided only that no bond of any issue shall mature later than 30 years  
27 from the date of its issue; the manner of selling the bonds, which may be at either  
28 public or private sale, for such price or prices as may be determined to be in the best  
29 interests of St. Mary's County; the manner of executing and sealing the bonds, which  
30 may be by facsimile; the terms and conditions, if any, under which bonds may be  
31 tendered for payment or purchase prior to their stated maturity; the terms or  
32 conditions, if any, under which bonds may or shall be redeemed prior to their stated  
33 maturity; the place or places of payment of the principal of and the interest on the  
34 bonds, which may be at any bank or trust company within or without the State of  
35 Maryland; covenants relating to compliance with applicable requirements of federal  
36 income tax law, including (without limitation) covenants regarding the payment of  
37 rebate or penalties in lieu of rebate; covenants relating to compliance with applicable  
38 requirements of federal or state securities laws; and generally all matters incident to  
39 the terms, conditions, issuance, sale, and delivery thereof.

40 The bonds may be made redeemable before maturity, at the option of the County,  
41 at such price or prices and under such terms and conditions as may be fixed by the  
42 County prior to the issuance of the bonds, either in the resolution or in a bond order  
43 pursuant to the bond resolution. The bonds may be issued in registered form and  
44 provision may be made for the registration of the principal only In case any officer  
45 whose signature appears on any bond ceases to be such officer before the delivery  
46 thereof, such signature shall nevertheless be valid and sufficient for all purposes as if

1 he had remained in office until such delivery. The bonds and the issuance and sale  
2 thereof shall be exempt from the provisions of Sections 9, 10, and 11 of Article 31 of  
3 the Annotated Code of Maryland, as amended.

4 The County may enter into agreements with agents, banks, fiduciaries,  
5 insurers, or others for the purpose of enhancing the marketability of any security for  
6 the bonds and for the purpose of securing any tender option that may be granted to  
7 holders of the bonds, all as may be determined and presented in the aforesaid  
8 resolution, which may (but need not) state as security for the performance by the  
9 County of any monetary obligations under such agreements the same security given  
10 by the County to bondholders for the performance by the County of its monetary  
11 obligations under the bonds.

12 If the County determines in the resolution to offer any of the bonds by  
13 solicitation of competitive bids at public sale, the resolution shall fix the terms and  
14 conditions of the public sale and shall adopt a form of notice of sale, which shall  
15 outline the terms and conditions, and a form of advertisement, which shall be  
16 published in accordance with the terms of the resolution in one or more daily or  
17 weekly newspapers having a general circulation in the County and which may also be  
18 published in one or more journals having a circulation primarily among banks and  
19 investment bankers. At least one publication of the advertisement shall be made not  
20 less than 10 days before the sale of the bonds.

21 Upon delivery of any bonds to the purchaser or purchasers, payment therefor  
22 shall be made to the ~~Treasurer~~ Director of Finance of St. Mary's County or such other  
23 official of St. Mary's County as may be designated to receive such payment in a  
24 resolution passed by the County before such delivery.

25 SECTION 4. AND BE IT FURTHER ENACTED, That the net proceeds of the  
26 sale of bonds shall be used and applied exclusively and solely for the costs of the  
27 acquisition, construction, improvement, or development of St. Mary's Hospital for  
28 which the bonds are sold and shall be loaned or otherwise paid by the Director of  
29 Finance of St. Mary's County to or for the benefit of the Hospital as and when and  
30 under terms and conditions and with documentation and secured by collateral that  
31 the County directs in accordance with the terms and conditions of its agreements with  
32 the Hospital, of the resolution of the County Commissioners, and of this Act. If the  
33 amounts borrowed shall prove inadequate to finance the projects described in the  
34 resolution, the County may issue additional bonds ~~with~~ within the limitations hereof  
35 for the purpose of evidencing the borrowing of additional funds for such financing,  
36 provided the resolution authorizing the sale of additional bonds shall so recite, but if  
37 the net proceeds of the sale of any issue of bonds exceeds the amount needed to  
38 finance the projects described in the resolution, the excess funds so borrowed and not  
39 expended shall be applied to the payment of the next principal maturity of the bonds  
40 or to the redemption of any part of the bonds which have been made redeemable or to  
41 the purchase and cancellation of bonds, ~~unless the County shall adopt a resolution~~  
42 ~~allocating the excess funds to other capital projects,~~ as defined and within the limits  
43 set forth in this Act.

1 It is the intent of this Act that the County Commissioners of St. Mary's County  
2 be vested with discretion and authority to determine the portion, if any, of the cost of  
3 any improvements to the Hospital to be paid from the proceeds of the sale of general  
4 obligation bonds authorized pursuant to this Act and that the County Commissioners  
5 may provide or require conditions for the loan of the proceeds of the sale of the bonds  
6 to the Hospital as the County Commissioners deem necessary or appropriate,  
7 including without limitation, provision for the repayment of the loan from rates  
8 charged patients by the Hospital. The County may agree that improvements to the  
9 Hospital may be financed in whole or in part from the proceeds of the sale of: (i)  
10 general obligation bonds issued pursuant to this Act or any other Act for the purposes  
11 stated in this Act; (ii) revenue bonds issued pursuant to any authority authorizing the  
12 issuance of revenue bonds to finance Hospital facilities; or (iii) any combination of (i)  
13 and (ii). The County may agree, in its discretion, that the actual or implied interest of  
14 the County in the Hospital or in any receipts or assets of the Hospital may be  
15 subordinated to the interests of the holders of any revenue bonds issued to finance  
16 improvements to the Hospital.

17 SECTION 5. AND BE IT FURTHER ENACTED, That the County may enter  
18 into agreements with the Hospital pursuant to which the Hospital shall be required to  
19 make periodic payments, from the Hospital's revenues or other assets, to the County,  
20 at times and in amounts to assure the timely payment of the maturing principal of  
21 and interest on the bonds and any expenses incurred by the County related to the  
22 bonds. However, the bonds hereby authorized shall constitute, and they shall so  
23 recite, an irrevocable pledge of the full faith and credit and unlimited taxing power of  
24 the County to the payment of the maturing principal of and interest on the bonds as  
25 and when they become payable. In each and every fiscal year that any of the bonds  
26 are outstanding, the County shall levy or cause to be levied ad valorem taxes upon all  
27 the assessable property within the corporate limits of the County in rate and amount  
28 sufficient to provide for or assure the payment, when due, of the principal of and  
29 interest on all the bonds maturing in each such fiscal year and, ~~in the event the~~  
30 ~~proceeds from the taxes so levied in any such fiscal year shall prove inadequate for~~  
31 ~~such payment if the Hospital revenues or the proceeds from the taxes levied in any~~  
32 fiscal year are inadequate for payment, additional taxes shall be levied in the  
33 succeeding fiscal year to make up any such deficiency. The County may apply to the  
34 payment of the principal of and interest on any bonds issued hereunder any funds  
35 received by it from the State of Maryland, the United States of America, any agency  
36 or instrumentality thereof, or from any other source, if such funds are granted for the  
37 purpose of assisting the County in financing the costs of the acquisition, construction,  
38 improvement, or development of St. Mary's Hospital defined in Section 1 of this Act  
39 and, to the extent of any such funds received or receivable in any fiscal year, the taxes  
40 that are required to be levied under this Act may be reduced accordingly.

41 SECTION 6. AND BE IT FURTHER ENACTED, That the County is further  
42 authorized and empowered, at any time and from time to time, to issue its bonds in  
43 the manner hereinabove described for the purpose of refunding, by payment at  
44 maturity or upon purchase or redemption, any bonds issued hereunder. The validity  
45 of any such refunding bonds shall in no way be dependent upon or related to the  
46 validity or invalidity of the obligations so refunded. The powers herein granted with  
47 respect to the issuance of bonds shall be applicable to the issuance of refunding bonds.

1 Such refunding bonds may be issued by the County in such an amount as shall be  
2 necessary for the purpose of providing it with funds to pay any of its outstanding  
3 bonds issued hereunder at maturity, for the purpose of providing it with funds to  
4 purchase in the open market any of its outstanding bonds issued hereunder, prior to  
5 the maturity thereof, or for the purpose of providing it with funds for the redemption  
6 at or prior to maturity of any outstanding bonds issued hereunder which are, by their  
7 terms, redeemable, for the purpose of providing it with funds to pay interest on any  
8 outstanding bonds issued hereunder prior to their payment at maturity of purchase  
9 or redemption in advance of maturity, or for the purpose of providing it with funds to  
10 pay any redemption or purchase premium in connection with the refunding of any of  
11 its outstanding bonds issued hereunder. The net proceeds of the sale of any such  
12 refunding bonds shall be segregated and set apart by the County as a separate trust  
13 fund to be used solely for the purpose of paying the purchase or redemption prices of  
14 the bonds to be refunded. The County may issue bonds for the purpose of refunding  
15 bonds under the authority of this Act or the provisions of existing law authorizing the  
16 issuance of bonds for the purposes stated in this Act.

17 SECTION 7. AND BE IT FURTHER ENACTED, That the County may, prior  
18 to the preparation of definitive bonds, issue interim certificates or temporary bonds,  
19 exchangeable for definitive bonds when such bonds have been executed and are  
20 available for such delivery, provided, however, that any such interim certificates or  
21 temporary bonds shall be issued in all respects subject to the restrictions and  
22 requirements set forth in this Act. The County may, by appropriate resolution,  
23 provide for the replacement of any bonds issued hereunder which shall have become  
24 mutilated or lost or destroyed upon such conditions and after receiving such  
25 indemnity as the County may require.

26 SECTION 8. AND BE IT FURTHER ENACTED, That any and all obligations  
27 issued pursuant to the authority of this Act shall be deemed to be negotiable  
28 instruments and shall possess all the attributes of negotiable instruments under the  
29 laws of the State of Maryland. Any and all obligations issued pursuant to the  
30 authority of this Act, their transfer, the interest payable thereon, and any income  
31 derived therefrom in the hands of the holders thereof from time to time (including  
32 any profit made in the sale thereof) shall be and are hereby declared to be at all times  
33 exempt from State, county, municipal, or other taxation of every kind and nature  
34 whatsoever within the State of Maryland.

35 Nothing in this Act shall prevent the County from authorizing the issuance and  
36 sale of bonds the interest on which is not excludable from gross income for federal  
37 income tax purposes.

38 SECTION 9. AND BE IT FURTHER ENACTED, That the authority to borrow  
39 money and issue bonds conferred on the County by this Act shall be deemed to provide  
40 an additional and alternative authority for borrowing money and shall be regarded as  
41 supplemental and additional to powers conferred upon the County by other laws and  
42 shall not be regarded as in derogation of any power now existing; and all Acts of the  
43 General Assembly of Maryland heretofore passed authorizing the County to borrow  
44 money are hereby continued to the extent that the powers contained in such Acts have  
45 not been exercised, and nothing contained in this Act may be construed to impair, in

1 any way, the validity of any bonds that may have been issued by the County under the  
2 authority of any said Acts, and the validity of the bonds is hereby ratified, confirmed,  
3 and approved. This Act, being necessary for the welfare of the inhabitants of St.  
4 Mary's County, shall be liberally construed to effect the purposes hereof. All Acts and  
5 parts of Acts inconsistent with the provisions of this Act are hereby repealed to the  
6 extent of such inconsistency.

7 SECTION 10. AND BE IT FURTHER ENACTED, That this Act shall take  
8 effect June 1, 2001.